

Message Text

UNCLASSIFIED

PAGE 01 BERN 04460 291254Z

45

ACTION EUR-12

INFO OCT-01 AF-06 IO-10 ISO-00 SP-02 AID-05 EB-07 NSC-05

CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06

LAB-04 SIL-01 PA-02 PRS-01 L-03 H-02 AGR-10 /127 W

----- 046464

R 291135Z OCT 75

FM AMEMBASSY BERN

TO SECSTATE WASHDC 1592

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY PRETORIA

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION GENEVA

USDEL MTN GENEVA

USMISSION OECD PARIS

AMCONSUL ZURICH

UNCLAS BERN 4460

DEPT PASS TREASURY AND FRB

EO 11652: N/A

TAGS: EFIN ECON SZ

SUBJ: SWISS FINANCIAL AND ECONOMIC DEVELOPMENTS: WEEK OF OCT 19-25

1. SUMMARY: THE SWISS FRANC STRENGTHENED THIS WEEK AGAINST BOTH THE DOLLAR AND THE D-MARK DESPITE HEAVY INTERVENTION BY THE SWISS NATIONAL

BANK (SNB). SWISS INTEREST RATES MOVED LOWER AS A RESULT OF THE COMBINED HIGH LIQUIDITY OF BOTH THE DOMESTIC MONEY AND CAPITAL MARKETS. THE UNION BANK OF SWITZERLAND ESTIMATES A RECORD HIGH SURPLUS THIS YEAR FOR THE SWISS BALANCE OF PAYMENTS ON CURRENT ACCOUNT. SWISS TRADE WITH THE US IN SEP REGISTERED THE SECOND

UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BERN 04460 291254Z

MONTHLY SURPLUS THIS YEAR.

FINANCIAL

2. FOREIGN EXCHANGE AND GOLD: CONCERN ABOUT NEW YORK CITY'S FINANCIAL DIFFICULTIES AND THE DECLINE OF SHORT-TERM INTEREST RATES IN THE US RESULTED IN A WEAKER DOLLAR DESPITE HEAVY INTERVENTION BY THE SNB. THE SF ALSO STRENGTHENED AGAINST THE D-MARK. ALTHOUGH RATES FLUCUATED RATHER WIDELY, TRADING WAS NOT PARTICULARLY HECTIC. GOLD PRICES WERE ERRATIC BUT THE OPENING AND CLOSING RATES FOR THE WEEK WERE ABOUT THE SAME. RATES AS FOLS:

	10/20 (OPEN)	10/24 (CLOSE)
SPOT DOLLAR	2.6520	2.6300
FORWARD DISCOUNTS (PCT. PA.A.)		
ONE MONTH	4.66	4.83
TWO MONTHS	4.57	4.67
THREE MONTHS	3.76	3.77
SIX MONTHS	3.81	3.80
TWELVE MONTHS	3.43	3.44
GOLD	143.75	144.25
SF/DAM	103.07	102.75

3. MONEY AND CAPITAL MARKETS: SWISS INTEREST RATES MOVED LOWER AS THE MAJOR BANKS CUT THE RATE ON ONE-YEAR FIXED DEPOSITS (OF MORE THAN SF 100,000) FROM 4.75 TO 4.5 PERCENT. THE MEDIAN YIELD ON OUTSTANDING CONFEDERATION BONDS ALSO DECLINED FROM 6.12 PERCENT ON OCT 17 TO 6.10 PERCENT ON OCT 24. THE CALL MONEY RATE REMAINS UNCHANGED AT 0.5 PERCENT.

4. BALANCE OF PAYMENTS: THE UNION BANK OF SWITZERLAND ESTIMATES THAT THE BALANCE OF PAYMENTS ON CURRENT ACCOUNT COULD REACH A RECORD HIGH SURPLUS OF SF 5 BILLION THIS YEAR. THIS IS MORE THAN DOUBLE THE PREVIOUS HIGH RECORDED IN 1968 AND ALMOST TEN TIMES MORE THAN THE 1974 SURPLUS OF SF 510 MILLION. THE BANK EXPECTS THE VALUE OF IMPORTS TO CONTINUE TO FALL AT A FASTER RATE THAN THE DROP IN EXPORTS, THEREBY

FURTHER REDUCING THE TRADITIONAL TRADE DEFICIT. RISING INCOME FROM CAPITAL INVESTED ABROAD AND BANK COMXUIONS, COUPLED WITH A DECLINE IN FOREIGN WORKER REMITTANCES, ARE THE MAIN REASONS FOR THE EXPECTED LARGE SURPLUS.

UNCLASSIFIED

UNCLASSIFIED

PAGE 03 BERN 04460 291254Z

ECONOMIC

5. SWISS-U.S. FOREIGN TRADE: IN SEP SWITZERLAND'S TRADE WITH THE UNITED STATES REGISTERED ITS SECOND MONTHLY SURPLUS (SF 25.2 MILLION) THIS YEAR. FOR THE FIRST NINE MONTHS OF THE YEAR, HOWEVER, SWITZERLAND'S

TRADE DEFICIT WITH THE US WAS STILL ABOUT 78 PERCENT LARGER THAN DURING THE SAME PERIOD IN 1974. THE US SHARE OF SWISS IMPORTS WAS 7.4 PERCENT IN SEP (COMPARED WITH 5.8 PERCENT A YEAR EARLIER)

AND WAS 7.7 PERCENT FOR THE PERIOD JAN-SEP (6.5 PERCENT IN THE SAME PERIOD IN 1974). SWISS-US TRADE FIGURES IN MISSIONS OF SF (WITH PERCENTAGE CHANGE OVER SAME PERIOD IN 1974 FOLLOWS):

	SEP	JAN-SEP
IMPORTS	212.4(UP 4.2)	1,985.0 (-6.3)
EXPORTS	237.6(UP 9.8)	1,494.4 (-18.9)

6. CONSTRUCTION INDUSTRY: AN INDUSTRY ASSOCIATION ESTIMATES THAT BUILDING ACTIVITY IN 1975 WILL BE 23 PERCENT BELOW 1974. SINCE 1973 EMPLOYMENT IN THE CONSTRUCTION SECTOR HAS DROPPED BY ABOUT 91,000 JOBS OR 35 PERCENT.

7. PRICE SURVEILLANCE: THE GOVT'S PLAN TO EXTEND THE EMERGENCY DECREE ON THE SURVEILLANCE OF PRICES, WAGES, AND PROFITS (SEE BERN 4079) HAS RUN INTO OPPOSITION FROM THE BANKS. A COMMUNIQUE ISSUED THIS WEEK BY THE SWISS BANKERS' ASSOCIATION SAID THAT PRICE CONTROL WAS NOT A SUTIALBLE INSTRUMENT TO FIGHT INFLATION AND THAT GOVT EFFORTS TO CONTROL PRICES ONLY RESULT IN DANGEROUS DISTORTIONS OF THE ECONOMY.
ODELL

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC CONDITIONS, ECONOMIC REPORTS, FINANCIAL TRENDS, FINANCIAL DATA
Control Number: n/a
Copy: SINGLE
Draft Date: 29 OCT 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975BERN04460
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750374-1208
From: BERN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751011/aaaaajrr.tel
Line Count: 136
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: buchant0
Review Comment: n/a
Review Content Flags:
Review Date: 06 NOV 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <06 NOV 2003 by ThomasVJ>; APPROVED <23 JAN 2004 by buchant0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SWISS FINANCIAL AND ECONOMIC DEVELOPMENTS: WEEK OF OCT 19-25
TAGS: EFIN, ECON, ETRD, SZ
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006